

Testimony Presented to the Joint Committee on Insurance and Real Estate

**Raised Bill S. B. No. 925 AN ACT CONCERNING THE COST OF PRESCRIPTION DRUGS AND VALUE-BASED
INSURANCE DESIGN.**

March 7, 2017

Good morning, Committee Co-Chairs, Sen. Larson, Sen. Kelley, Rep. Scanlon and Members of the Joint Committee, my name is Brendan Bertsch and I am the Executive Director, Contracts and Pricing for Boehringer Ingelheim Pharmaceuticals Inc.

Boehringer Ingelheim (BI) is a family-owned company committed to the discovery, development manufacture and marketing of innovative health care products. BI established its headquarters in Ridgefield, Connecticut in 1978. Boehringer Ingelheim is the State's largest U.S. headquartered biopharmaceutical company with some 2,500 employees in Connecticut.

We are here today to express serious concerns with Raised Bill No. 925. The legislative language as written would impose various pricing and transparency requirements on innovative pharmaceutical manufacturers which we believe will not result in the release of meaningful information for patients and will not lead to a reduction in overall healthcare costs.

- Prescription medicines continue to account for only 10-12% of all healthcare costs. Medicines are also expected to account for a stable share of total healthcare expenditures through the next decade.¹
- The pricing of medicines in today's U.S. healthcare environment is a complex and understandably frustrating matter for many. Each patient's out-of-pocket expense varies depending on their insurance, specific drug benefits, distribution costs, the specific pharmacy they visit, and many other factors as well.
- The list price of medicines is set by the manufacturer, and because of negotiations that take place with insurers, pharmacy benefit managers (PBMs) and a number of other parties in the system, is not a true reflection of what the vast majority of patients pay.
- The net price of medicines, which includes the myriad of discounts and rebates provided to insurers PBMs and others, is a better reflection of pricing.
- Requiring an economic justification for a drug's list price increases focuses on only one part of the complex pricing formula, and will provide incomplete and misleading information on drug prices to policymakers and the public. Therefore, any requirements for greater transparency on pricing should take a holistic approach and encompass all stakeholders in the supply chain.
- Additionally, data collection is resource intensive and can result in higher costs to both the manufacturer and the state, undermining any tangible benefit expected from the potential increased transparency. The collection of data should be limited to non-proprietary information relevant to the public to make informed decisions about their treatment options.

¹ Altarum Institute. Center for Sustainable Health Spending data brief: a ten year projection of the prescription drug share of national health expenditures including non-retail. http://altarum.org/sites/default/files/uploaded-publication-files/Non-Retail%20Rx%20Forecast%20Data%20Brief_with%20Addendum.pdf. Published October 2014; addendum update August 2015. Accessed April 2016.

- Our goal at Boehringer Ingelheim is that no patient be denied access to our medicines because of cost and we are committed to doing the right thing for our patients, many of whom suffer from multiple chronic conditions.

Examples include:

- Ensuring that the percentage of our net price increases on an annual basis, or the amount of money we make on each product after negotiations with insurers, PBMs and others, will remain in single-digits
 - Increasing investments in our patient assistance program, which provides free medicines to uninsured and underinsured patients.
 - Industry-leading levels of research and development investment
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- An area of increased focus for Boehringer Ingelheim is the development of innovative value-based access programs and contracts that will ensure we are delivering on our promise to our patients and customers to deliver strong clinical outcomes which will help reduce overall healthcare costs.
 - For example, we have already entered into value based contracts with health plans that tie the level of rebates we will pay for one of our medicines to ensuring that the plan's total healthcare costs for that specific disease state are reduced below certain targets. What we're really excited about though are the numerous other innovative contracts we're pursuing that will directly tie the net price we can receive from the insurer to how well our product performs clinically, beyond just the cost trend. This demonstrates BI's willingness to put our money where our mouth is and put the patient at the forefront of all we do.

Thank you for the opportunity to speak to you today. We would welcome the opportunity for further dialogue and to work collaboratively with you to develop meaningful, value based solutions to ensure greater patient access to innovative medications in a cost effective manner. I'm happy to address any questions.